

THE EFFECTS OF CROSS-BORDER MERGER & ACQUISITION AND GREENFIELD PROJECTS ON DOMESTIC INVESTMENT IN LATIN AMERICA

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Introdução

This research examines the extent to which outward foreign direct investment (OFDI) from Latin America through greenfield and cross-border merger & acquisition (CBMA) crowds in or crowds out domestic investment (DI). The available literature of relevance on FDI and some recent empirical studies from developing countries suggest that the effects of OFDI on DI is beneficial to home economy. We expand this theoretical framework by disaggregating OFDI into greenfield and CBMA;

Problema de Pesquisa e Objetivo

studies investigating FDI have conceptualized FDI as homogenous flows of capital and have largely ignored the heterogeneous nature of FDI in terms of entry mode, the nature of the production techniques, and the country of origin. In fact, Gondim et al. (2018) argue that OFDI crowds in DI, but they have ignored the distinctive features of investment flows such CBMA and greenfield. We defend the idea that CBMA is a way to force MNEs from developing countries to quickly find assets, resources, knowledge or capabilities that are not found in their home countries and speed up their internationaliza

Fundamentação Teórica

We base our studies in many authors. In particular those who defend that MNE from developed countries go abroad to take advantage. But also from those who argues that this is not the case for developing countries.

Metodologia

Data ranges from 2003 to 2016. We applied panel data analysis. We consider asian and latin america countries. Hypothesis 1. Outward foreign direct investment through cross-border merger & acquisition impacts positively domestic investment in Latin America. Hypothesis 2. Outward foreign direct investment through greenfield impacts positively domestic investment in Latin America.

Análise dos Resultados

Our findings show crowding-out effect of CBMA on DI and no significant association between greenfield and DI. Moreover, our causality test indicates unidirectional causality running from CBMA to DI. This means that internationalization through CBMA does not bring positive benefit to home economy.

Conclusão

The main conclusion of this research is that positive impacts of OFDI on DI as expected by the literature is not assured when analyzing Latin Americas because the benefit depends on entry mode, which incorporates different risks and strategies that interferes in the firm ability to absorb external knowledge. Further, institutions interfere in MNEs projects. In short, we have identified that CBMA has negative effect on DI in Latin America and no statistically effect of greenfield on DI for Latin America. On the contrary, CBMA and greenfield have positive effect on DI in Asia.

Referências Bibliográficas

The main authors are: Dunning, 2001; Hymer, 1976; Kindleberger, 1969; Gondim, Ogasavara, & Masiero, 2018; Knoerich, 2017. Feldstein, 1994. opalan, Ouyang, & Rajan, 2017; Luo & Tung, 2007; Wang & Wong, 2009.